

1969 Annual Report

United States Steel Corporation

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Sixty-eighth Annual Report

United States Steel Corporation

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Front Cover

This Report contains a series of eight watercolor paintings designed to portray a cross section of U. S. Steel's varied and interrelated activities. The cover painting illustrates the wide diversity of U. S. Steel's construction capabilities—stadiums, hotels, transportation facilities, high-rise office buildings, schools, factory-produced housing and even a sculpture.

Receipts and Their Disposition in 1969

	Total Dollars in millions	Dollars per employee*	Dollars per man-hour*
Receipts from customers—the public	\$4,825.1	\$24,009	\$12.62
Disposed of as follows:			
Employment costs—U. S. Steel's direct employment	2,184.7	10,871	5.72
Products and services bought—Provides employment by suppliers and by their suppliers in turn	1,870.0	9,304	4.89
Wear and exhaustion—Provides employment by suppliers of new plants and equipment and by their suppliers in turn	289.6	1,441	.76
Taxes—Provides revenue for governments	193.0	960	.50
Interest—Compensation for savings loaned	70.6	352	.18
Dividends—Compensation for savings invested	129.8	646	.34
Income reinvested in business	87.4	435	.23
Total	\$4,825.1	\$24,009	\$12.62

* Excluding employees (1.8 percent of total) the cost of whose work was charged to construction.



The Year 1969 for U.S. Steel —At a Glance

		1969	1968
Sales	Amount	\$4,825.1 million	\$4,609.2 million
Income	Amount	\$ 217.2 million	\$ 253.7 million
	Per common share	\$ 4.01	\$ 4.69
	Return on sales	4.5 percent	5.5 percent
Dividends and Income Reinvested	Declared on common	\$ 129.8 million	\$ 129.9 million
	Per common share	\$ 2.40	\$ 2.40
	Income reinvested	\$ 87.4 million	\$ 123.8 million
Taxes	Amount	\$ 193.0 million	\$ 213.3 million
	Per common share	\$ 3.56	\$ 3.94
Steel Production and Shipments	Raw steel produced	34.7 million tons	32.4 million tons
	Percent of 1957-59 average	127.0	118.0
	Steel products shipped	22.4 million tons	22.5 million tons
Plant and Equipment Expenditures	Spent in year	\$ 601.8 million	\$ 697.4 million
	Authorized at year-end	\$ 930.0 million	\$1,110.0 million
Marketable Securities Held for Plant and Equipment Expenditures	At year-end	\$ 655.0 million	\$ 655.0 million
Working Capital	At year-end	\$ 533.6 million	\$ 875.3 million
Total Long-Term Debt	At year-end	\$1,465.4 million	\$1,592.6 million
Ownership—Stock and Income Reinvested	At year-end	\$3,432.6 million	\$3,344.5 million
Stockholders	Number	345,335	348,525
Employees	Average number for year	204,723	201,017
	Average hourly employment cost	\$ 5.72	\$ 5.57

THE 1970 ANNUAL STOCKHOLDERS' MEETING
will be held at Houston, Texas in
The Rice Hotel, Monday, May 4, 1970.



The Year 1969 for U. S. Steel

U. S. Steel's income for 1969 was \$217.2 million, a return of 4.5 percent on sales of \$4.8 billion. In the interest of stockholders, employees, customers and the economy of the Nation, this return is inadequate. Wage, tax and other cost increases that have outstripped productivity and price increases in recent years, and substantial quantities of imported steel at prices reflecting lower wage costs and government subsidies have contributed to the continuing downward trend in profit return for U. S. Steel and, in fact, for the steel industry. If we are to continue to have a healthy steel industry in this country, this condition must be improved and U. S. Steel believes that it can and will be. It has many programs in research, marketing, production and diversification geared to this objective. This Report will highlight developments and accomplishments in these areas.

Extensive facility construction interfered materially with normal production flows and costs throughout the year, but many new facilities which provide increased capabilities for responding to the fluctuations in and changing nature of expanding steel product markets are now in operation. Start-up and break-in expenses have been high, but by the close of 1969 these expenses were declining and the benefits from related facilities were increasing. In addition, plans are being actively pursued to further expand the utilization of our vast reserves of natural resources.

A vigorous program to expand activities in other profitable markets which have growth potential is progressing. Start-up of five new USS Chemicals' plants, formation of new entities in the fields of real estate development and financing services and expansion of activities for increased participation in the housing market were accomplished in 1969.



U. S. Steel's Principal Officers.
Left to right: John E. Angle—
Henry J. Wallace—John
Pugsley—John S. Tennant—
Randolph W. Hyde—Arthur V.
Wiebel—Benjamin L. Rawlins—
Wilbert A. Walker—R. Heath
Larry—Edgar B. Speer—
Edwin H. Gott—Robert C. Tyson.

Mounting inflation in costs, continuing import competition and the impact of financing new and advanced technology are problems facing this Nation. Their solution requires increasing capital investment, which promotes additional employment and a rising standard of living. "Tools, Jobs and Buying Power," a Message from U. S. Steel starting on page 33, discusses these matters and the related need for a tax policy which must encourage—and cease to discourage—greater capital investment.

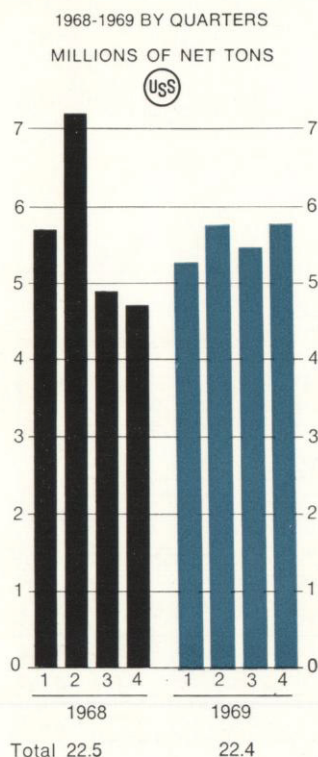
Sales and Shipments

Products and services sold totaled \$4.8 billion in 1969, an increase of nearly 5 percent over last year's record due to a generally higher level of steel prices and to increased sales of various chemical products. Steel product shipments were 22.4 million tons, compared with 22.5 million tons in 1968.

Total industry shipments were 93.9 million tons in 1969. Exports were 5.6 million tons—more than double those of 1968. It is estimated that steel consumption in the United States during 1969 continued at 1968's record level of about 103 million tons.

Steel demand throughout the world has been exceedingly strong since late 1968 and helped support increased exports of steel to overseas markets. This market strength, occurring during the first year of the voluntary quotas on steel exports to the United States adopted by certain countries early in 1969, also resulted in a reduction of imports of steel into domestic markets. Steel imports were 14.6 million tons—equal to 14.2 percent of the domestic market, contrasted with 18.5 million tons — a record 17.1 percent in 1968.

Shipments of Steel Products



Income and Dividends

Income for the year was \$217.2 million, as previously noted, or \$4.01 per share of common stock. Income in 1968 was \$253.7 million or \$4.69 per share.

Some of the factors affecting 1969 income were increases in hourly employment costs, higher costs of many purchased products and services, increasing state and local taxes, severe shortages of skilled labor in certain areas and the impact of our vast facility program moving through the costly break-in period.

Price changes, both upward and downward, were made during the year on the majority of steel products. At the end of 1969, the Government's index of finished steel mill product prices was 116.6 (1957-59 = 100). The increase of nearly 6.8 percent over the level at the previous year-end was not fully realized during 1969 since many of the changes occurred late in the year.

Dividends totaling \$2.40 per share were declared by the Board of Directors for the year 1969—the same amount as for 1968. Income reinvested in the business in 1969 was \$87.4 million or \$1.61 per share.

Plant and Equipment Program

Expenditures for replacement, modernization and extension of facilities totaled \$602 million in 1969. During the four years of the accelerated facility program, 1966-69, expenditures have totaled \$2.3 billion.

New authorizations during 1969 totaled \$422 million. At year-end the amount required to complete authorized projects was \$930 million, a decrease of \$180 million from the previous year-end.

Research

A sustained and intensive research program covers the broad spectrum of U. S. Steel's operations. Studies on hundreds of individual projects were carried on in 1969. The Monroeville Research Center will be further expanded in 1970 with the completion of a new facility for more extensive research and development in the chemicals and plastics fields.

Research effort to further reduce the amount of coke used in blast furnace operations and to minimize capital investment in coke producing equipment continues. Technology for injecting pulverized coal directly into the combustion zone near the bottom of the furnace has been successfully tested on one of U. S. Steel's commercial-sized furnaces. These tests demonstrate that roughly 20 percent of the coke required is economically replaced with injected coal.

An automatic system has been developed for applying undiluted lubricating oil (in place of water) to the rolls of hot strip mills, thereby reducing friction in the roll bite during the rolling process. This development improves the surface and flatness of the steel, while at the same time increasing roll life with attendant cost reduction. The system is currently in use at one plant and is being installed on other hot strip mills. It also shows promise on other applications and currently is being tested on plate, structural, billet and tubular mills.

U. S. Steel's large continuous-continuous caster is a product of its own research, engineering and construction. To date, 54 patents have been issued to U. S. Steel and 44 other patent applications in continuous casting techniques are being processed. One such patent covers a sliding-gate mechanism, and U. S. Steel is now involved in its manufacture and sale. This mechanism controls the rate of flow of molten metal into the vertical mold. During a cast, the ceramic opening or "nozzle" is gradually eroded or widened and must be replaced. With

this sliding-gate mechanism, split-second replacement by a fast-acting hydraulic ram is accomplished. This is one of the keys to continuous-continuous casting.

Our research scientists are participating with others in NASA's study of lunar rock and dust specimens. U. S. Steel's one-million volt electron microscope—the most powerful in the Nation—is being used to reveal the inner microstructures of the lunar material.



Natural Resources

The manufacture and sale of a wide variety of steel products requires the support of exploration, development and mining of vast quantities of minerals, since more than three tons of various minerals are needed for each ton of steel sold. The principal materials essential to steelmaking are coal, iron and manganese ores, limestone, oxygen and water. U. S. Steel, directly or in association with others, is engaged in mineral activities in North and South America, Africa, Australia and Indonesia. Projects are under way to expand the exploration, mining and sale of steelmaking minerals as well as other minerals such as zinc, copper, platinum, nickel, uranium, chromium, tin, phosphates, sulfur, fluorspar and rutile.

Metallurgical coal production in 1969 totaled 18.1 million net tons — largely for our own use. To enable U. S. Steel to increase outside sales of metallurgical coal, one coal mine was reopened and work was begun on the development and construction of a large ultramodern coal mine and preparation plant in the Gary (West Virginia) coal district. This mine, scheduled to begin operation in the latter part of 1970, will initially yield 2.6 million net tons of coal annually, and production is expected to be expanded later to 4.0 million net tons per year. At the end of 1969, U. S. Steel had some 50 years' reserves of metallurgical coal and extensive reserves of other bituminous coals.

Limestone production in 1969 was 26.6 million net tons, with about half sold to hundreds of customers and the remainder used in U. S. Steel's production of iron, steel and cement. With the recent facility modernizations in Michigan, increased quantities of close-tolerance, small-sized crushed limestone are available for sale and use.

Iron ore mined during 1969 from all sources totaled 44.4 million gross tons with more than three fourths of this for U. S. Steel's own use and nearly 10 million gross tons for sale to others.

Shipments from domestic iron ore operations totaled 20.7 million gross tons in 1969, including 7.4 million gross tons of high-iron-content taconite pellets. The taconite plant in Minnesota started operation in late 1967 and output in its second full year of operation was 6.0 million gross tons. When the recently announced expansion program is completed in 1972, this plant will produce 12 million gross tons of pellets annually. U. S. Steel's reserves of magnetic taconite ore in the Minnesota region, convertible to high-iron-content taconite pellets by processes presently in commercial use, are sufficient for production of over two and one half billion gross tons of pellets.

Orinoco Mining Company, a wholly-owned subsidiary operating in Venezuela, shipped 15.7 million gross tons of iron ore in 1969 to its domestic and international customers, including U. S. Steel. At year-end, reserves in the Cerro Bolivar area, to which the company owns rights under Venezuelan mining law, contained about 850 million gross tons of ore having an iron content of at least 50 percent. A plant to produce one million metric tons annually of uniformly-

sized briquettes with an iron content of 85 percent, for sale in Venezuela and abroad, is under construction.

Quebec Cartier Mining Company, a wholly-owned subsidiary in Canada, although hampered by a strike, shipped 7.7 million gross tons of iron ore concentrates in 1969 to its domestic and international customers, including U. S. Steel. Preliminary engineering is currently under way on the development of the Mt. Wright ore body, located about 75 miles northeast of the present Lac Jeannine mine near Gagnon, Quebec. Mt. Wright could become an important future source of iron ore for worldwide commercial sale as well as a continuing source for U. S. Steel's requirements. The company holds mining rights in Canadian iron ore deposits believed adequate for more than 50 years' production of high grade concentrates at a substantially higher rate of production than at present.

During 1969, Companhia Meridional de Mineracao, a wholly-owned mining subsidiary in Brazil, and associates obtained permits for prospecting extensive potential iron ore fields in the northern Brazilian state of Pará. U. S. Steel will have a 49 percent interest in a new company to be formed with Companhia Vale do Rio Doce, a company controlled by the Government of Brazil, for joint development of iron ore deposits in this area. Construction related to this development is anticipated, as the market may determine, after 1975.

Manganese ore sales, worldwide, from a 49 percent owned company which operates in the Republic of Gabon, Africa, were 1.5 million gross tons during 1969. Facility additions nearly completed, together with an expansion program now under way, will support annual sales of 1.8 million gross tons by the end of 1971. Reserves of this company are reported to be approximately 125 million gross tons. In addition, U. S. Steel's mining subsidiary in Brazil ships manganese ore to local and overseas customers, including U. S. Steel.

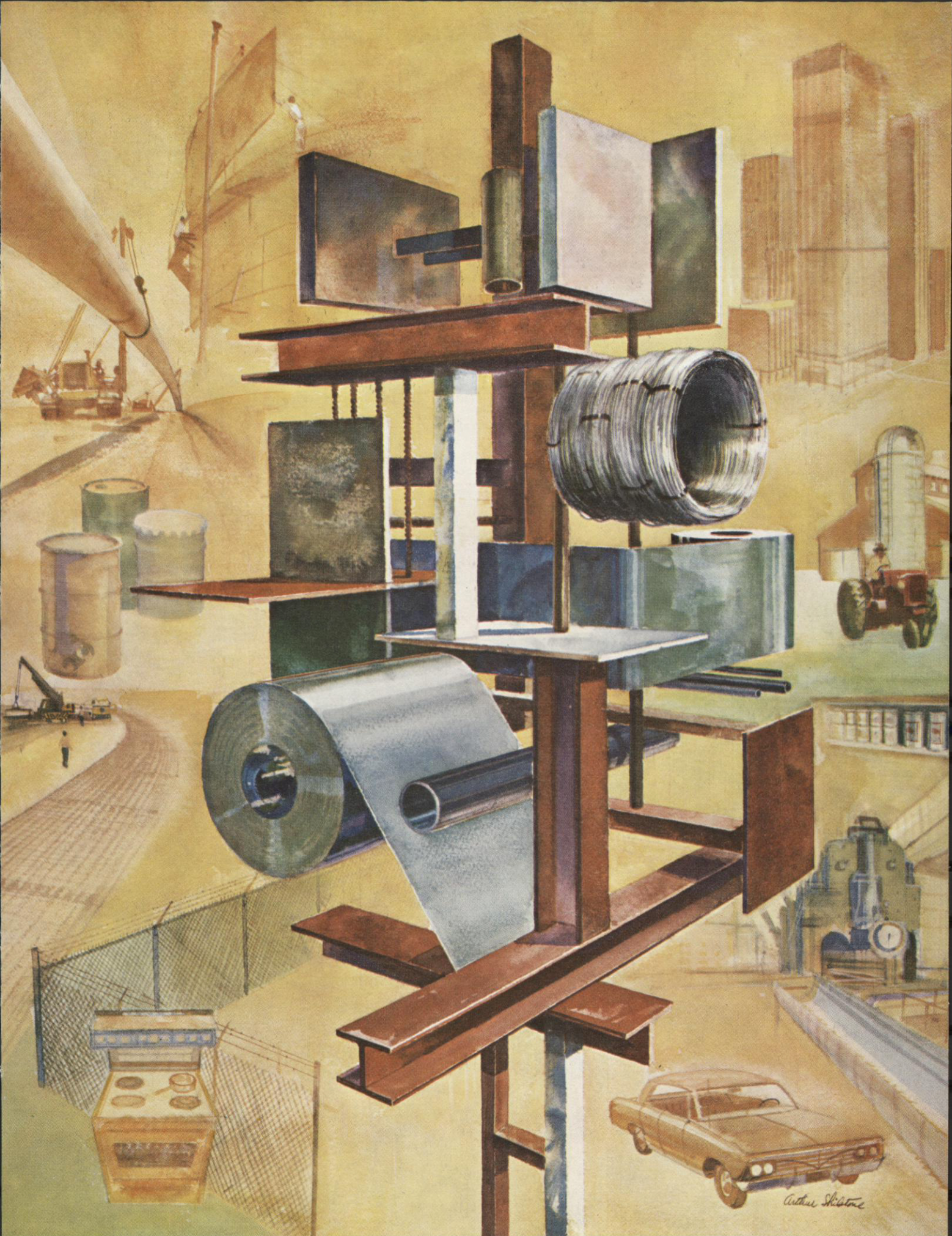
Zinc ore concentrates were shipped in 1969 for the first time from the new mining facilities of Mina Matilde Corporation, a 50 percent owned company operating in Bolivia. Domestic production capability for zinc ore concentrates was recently increased about 10 percent and will be increased another 10 percent upon completion in late 1970 of an authorized expansion at U. S. Steel's Tennessee mine. U. S. Steel recently acquired a 30 percent interest in a venture to locate and develop deposits of zinc and other base metals in Canada's Yukon Territory.

Other mineral resources also are being investigated. U. S. Steel has a 43 percent interest in a company which, under a contract with the Republic of Indonesia, is exploring and planning the development of nickel-bearing ore deposits in that area. During 1969, U. S. Steel acquired a 37.5 percent interest in a venture to locate radioactive and associated mineral deposits in the Gulf Coast region of Texas and a 55 percent interest in a similar venture in Canada.

Drillings over the years in Nevada, where U. S. Steel has been exploring for minerals since 1960, have indicated iron ore bodies of possibly a quarter billion tons, analyzing less than 40 percent iron and about three tenths of one percent copper. More recent drillings have disclosed evidence of additional deep-lying deposits of lower iron content but with more promising indications of copper; additional drilling is required to prove economic feasibility.

U. S. Steel has acquired a minority interest in a recently formed South African mining company. This company is currently engaged in exploration and development of copper, zinc and platinum deposits in South Africa. In addition, the company in conjunction with others is exploring in large areas in South-West Africa and Botswana. One area is known to contain copper and other minerals.

Steel, the most versatile and widely used metal known to man, is portrayed by the artist as a sculpture. U. S. Steel produces steel in a myriad of shapes, sizes and finishes to meet the ever-changing needs of the many markets it serves.





U. S. Steel also has a minority interest in two other South African firms—one a chrome ore producer and the other a refiner of chrome and manganese ores. Both of these companies sold materials to U. S. Steel in 1969.

Timber resources overlay hundreds of thousands of acres from which timber is selectively cut by U. S. Steel. Birmingham Forest Products (Cordova, Alabama), a company equally owned by U. S. Steel and U. S. Plywood-Champion Papers, Inc., using some of these and other timber properties, will soon be producing wood products including plywood, laminated decking and pulpwood chips.

Steel Products and Services

A major part of the business of U. S. Steel is the production and sale of a complete line of steel products in rolled and finished or fabricated form. More than 10,000 combinations of sizes, shapes and metallurgically different kinds of steels are available to customers. Our continuing facility modernization program is geared to anticipating changes and growth in the expanding markets for steels and to competing fully in these markets.

Steel Product Facilities

The year 1969 stands out in U. S. Steel's history for the variety and number of new facilities in operation. Collectively, they add measurably to our future competitiveness, efficiency and profitability. Temporarily, however, they have been and are adding to production costs, for the interruption to current production and the impact of start-up and break-in are both lengthy and costly. While there are many more new facilities yet to come on stream, this element of cost should be less burdensome in the future.

Light, flat rolled products are used in a variety of applications in the automotive, appliance, agricultural, construction, container and other industries.

Three new high-speed lines for the continuous production of hot dipped galvanized coils weighing up to 62,000 pounds and in widths up to 62 inches are in operation. With these lines, our production capability for this corrosion-resistant, zinc-coated steel has expanded by over 60 percent. One of these lines, U. S. Steel's first on the East Coast, rounds out our capability to provide "tailor-made" galvanized steels to customers in all markets quickly and efficiently.

In the Cleveland area, facilities brought into operation in 1969 more than doubled the ability to produce special finished cold rolled carbon steel strip. This strip has a high-luster finish achieved without polishing or buffing and, after plating, is used by customers for such items as toasters, hand irons, automotive trim and kitchen-range burners.

Initial phases of a major expansion program which will nearly double U. S. Steel's capabilities for producing cold rolled sheets in the Pittsburgh area were put into operation during 1969. The major phases of the program will become operative in 1970. Also in the Pittsburgh area, facilities to expand by 30 percent the production of electrical sheet steels started operation in 1969.

Bar product availability was expanded with the start-up of a new bar mill in the Cleveland area. Another mill in this area will start in 1970. These mills can produce over a million tons annually of quality bar products up to two inches in cross section, in either cut lengths up to 90 feet or in coils weighing up to 4,000 pounds. Two more bar mills under construction in the Chicago area, scheduled for operation in 1970 and 1971, will further expand bar production and replace three existing mills.

Research scientists and technicians are constantly "searching into tomorrow" to develop new and improved processing technologies and products to enable U. S. Steel to better serve its customers.

Wire rod availability, to meet the demand and to help combat the import problem, has been significantly increased. A quality-controlled, high-speed rod mill in the Philadelphia area is capable of producing over 500,000 tons annually of small-diameter rods, of uniform shape and superior surface quality, in continuous weld-free coils weighing up to 3,000 pounds.

Rail, wheel and axle product facilities brought into operation during 1969 and 1970 include modernized wheel production equipment and a wheel heat-treating unit in the Pittsburgh area, axle finishing facilities and rail heat-treating lines in the Birmingham area and another wheel machining line in the Chicago area.

Plate and structural product projects are highlighted by the initial operation, scheduled for the spring of 1970, of the plate mill at Texas Works, near Houston. This mill, the first phase of U. S. Steel's new plant in the booming Southwest, can produce more than a million tons annually of quality plates in thicknesses up to 15 inches and in widths up to 150 inches, for rapid delivery to the oil, chemical and construction industries in that area.

In the Chicago area, a second line for heat-treatment of plates up to 200 inches wide will start operation in the first half of 1970. U. S. Steel also increased its ability to supply quality stainless plates with the completion, in the Pittsburgh area, of finishing, inspection and handling equipment. More wide flange beams to serve the growing western construction market will be available in 1970 as a result of modifications to a structural mill in Utah.



Installation of supporting facilities continues. In the Chicago area, a giant blast furnace of advanced design will soon begin operation. The output of this furnace will be used in the three-vessel basic oxygen process (BOP) steelmaking shop which was put into operation in 1969. This in turn will be teamed with a high-capacity, four-strand continuous bloom and billet caster scheduled to start up in late 1970. This complex, together with a three-vessel BOP shop, a large volume continuous-continuous slab caster and an 84-inch hot strip mill, all completed earlier, provide this area with technologically advanced processes for producing high-quality steel products.

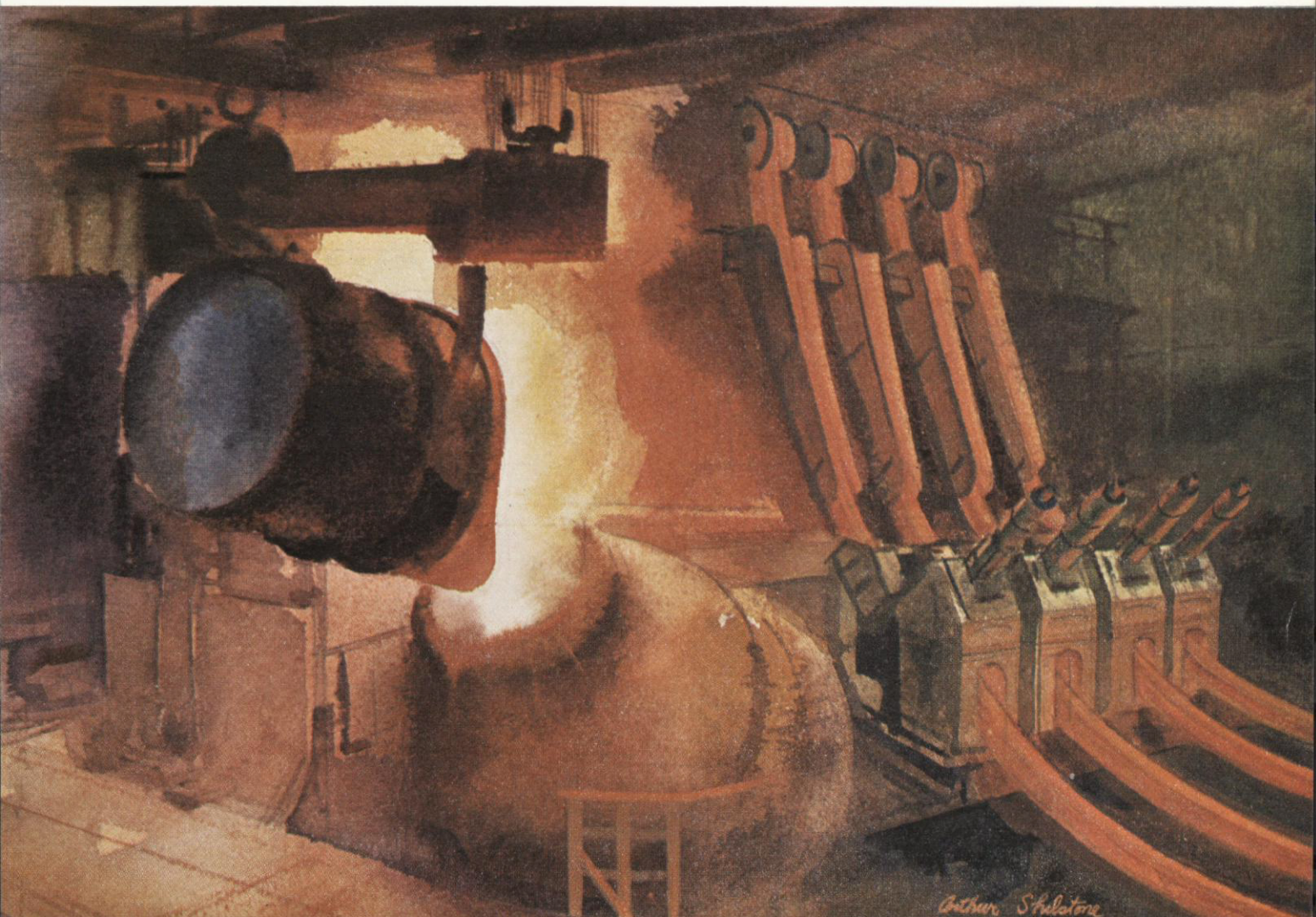
Also in the Chicago area, an 85-oven coke battery began operation and construction started on two electric furnaces. Another three-vessel BOP shop—the third in this area and U. S. Steel's sixth BOP unit—is to be completed in 1972. Two-vessel BOP shops, under construction in the Cleveland and Pittsburgh areas, will be completed in late 1970 and 1971, respectively.

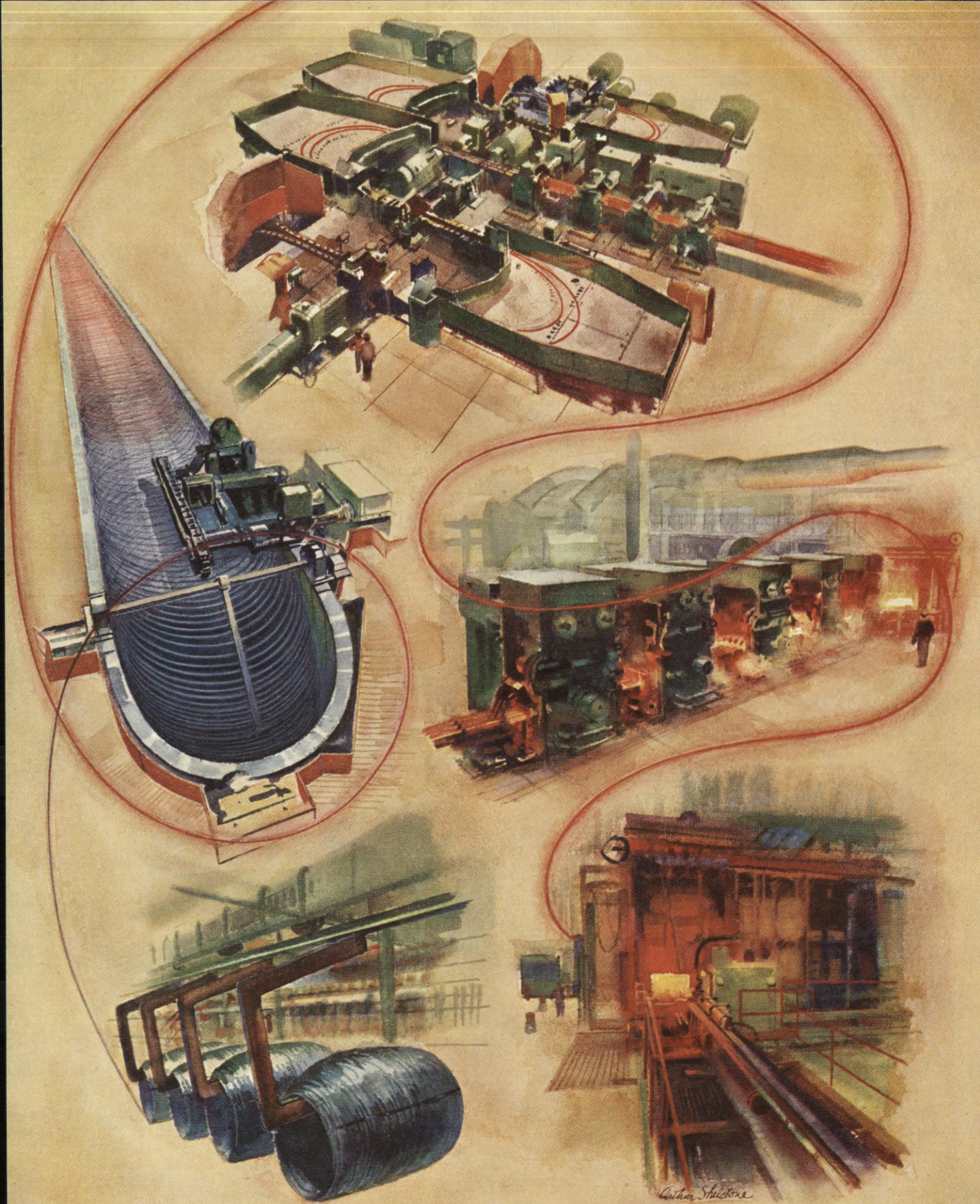
The second phase of construction at Texas Works is well under way. Two electric steelmaking furnaces and a single-strand continuous slab caster, U. S. Steel's fourth casting unit, will start operation in late 1970.

U. S. Steel's latest complex of technologically advanced facilities for steel production—an integrated flow of raw materials to the blast furnace, liquid iron to the basic oxygen process (BOP) shop and liquid steel to the continuous bloom and billet caster—will soon be in operation in the Chicago area.

Steel Market Developments

Recent examples of the new products from U. S. Steel include: welded rod fabric for use in reinforcement of concrete in storage and parking areas where





Arthur Shickone

the high strength of higher priced wire fabric is not needed; a non-threaded, solderable galvanized steel pipe to help trim plumbing costs in residential and light construction; oceanographic electrical cables now made with varying degrees of buoyancy for specialized underwater exploration; new selenium machining steels that are superior to other types of free machining steels commonly used in making screws, bolts, gears and other machinery parts; and a wider sheet piling section with greater interlocking strength which will permit more economical construction.

USS COR-TEN Steel markets continue to grow. Because of its superior resistance to atmospheric corrosion, its use for exterior structures in highly corrosive process environments is rapidly expanding. Growth prospects for COR-TEN Steel for construction of bridges to meet the requirements for minimum maintenance, attractive appearance and long life are substantial. A recent Government survey estimates the new and immediate replacement market for small-span county bridges alone at nearly 250,000. Steels, and particularly COR-TEN Steel, will be actively competing for this potential ten-million-ton market.

Fabricating Operations

American Bridge Division, with the start-up of its newest plant at Antioch, California, now has ten fabricating plants located across the country. The division has entered the field of "turnkey" construction, with the initial activity in construction of complete iron and electric steelmaking facilities. A turnkey project for the design and construction of an electric arc furnace shop was recently completed.

Oilwell Division now has 29 sales offices and some 80 distribution stores and warehouses in the United States and Canada for marketing a broad line of machinery and equipment as well as tubular products to the oil, gas and other industries. Oilwell opened the first oilwell supply outlet in the Fairbanks, Alaska area in 1968 and expanded it in 1969 to serve the growing requirements of the big North Slope oil discovery on a round-the-clock basis. Oilwell has moved into the growing market for slurry pumps and manufactured the 13 pumps for the 273-mile long Black Mesa Pipeline in Arizona and Nevada, believed to be the longest and largest coal slurry pipeline ever built.

U. S. Steel Products Division's seven manufacturing plants produce for sale more than 200 varieties of steel drums and pails—a complete line of decorated, lined and painted containers in capacities from three gallons to 57 gallons. The division also markets a line of five-gallon and six-gallon multi-purpose plastic containers produced by USS Chemicals.

Steel Service Centers

U. S. Steel Supply Division now operates 28 steel service centers in 22 states. By adding eight "steel supermarkets" in the last four years, the division is better able to provide rapid delivery of a complete line of locally-required steels and other metals, sized and cut to specific customer requirements, and a broad line of strapping equipment.

Steel Overseas

U. S. Steel, through its international sales companies, has been active for many years in overseas markets, selling steel and related products and services. During recent years, U. S. Steel has also invested in several steel producing and proc-

Sweeping strands of hot steel being converted from billets into small-diameter USS SPIRACOOOL Rods, in continuous weld-free coils up to four miles in length on U. S. Steel's new rod mill in the Philadelphia area.

essing companies abroad. Steel shipments in 1969 were higher than in 1968 for each of these companies.

In Italy, U. S. Steel has a 50 percent interest in a wire products company and in a stainless steel processing company—one of the largest such companies in Italy—which has an expansion program under way to double its cold rolling capabilities. In Central America, U. S. Steel has a majority interest in a Nicaraguan diversified steel processor and in a Guatemalan producer of light industrial tubing and pipe. In Spain, U. S. Steel has a minority interest in Altos Hornos de Vizcaya, a large integrated steel producer. Its new blast furnace, BOP shop and hot strip mill are operating smoothly at near-maximum levels.

Chemicals and Plastics

U. S. Steel has produced large quantities of coal chemicals and gas for many years from its extensive coke oven operations. Sales of chemicals have grown fourfold since 1963 through construction and acquisition of facilities.

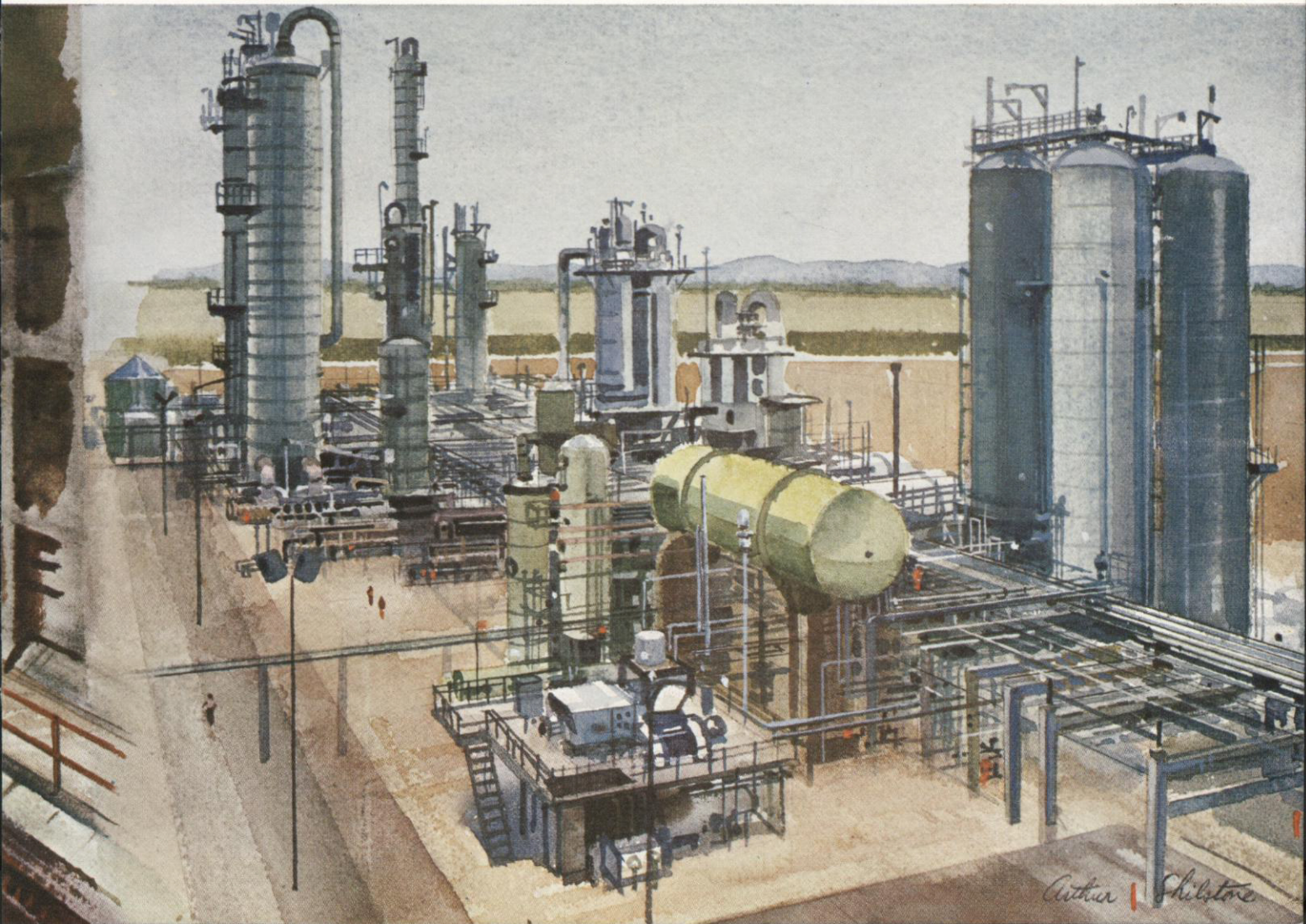
In 1969, chemical activities were reorganized and streamlined to form two distinctly separate producing and selling units. USS Agri-Chemicals, formerly a wholly-owned subsidiary, is now a general operating division, combining U. S. Steel's various resources in the agricultural chemical field. USS Chemicals, a division formed in 1966, now concentrates entirely on serving the expanding industrial chemical, tar product and plastics markets.

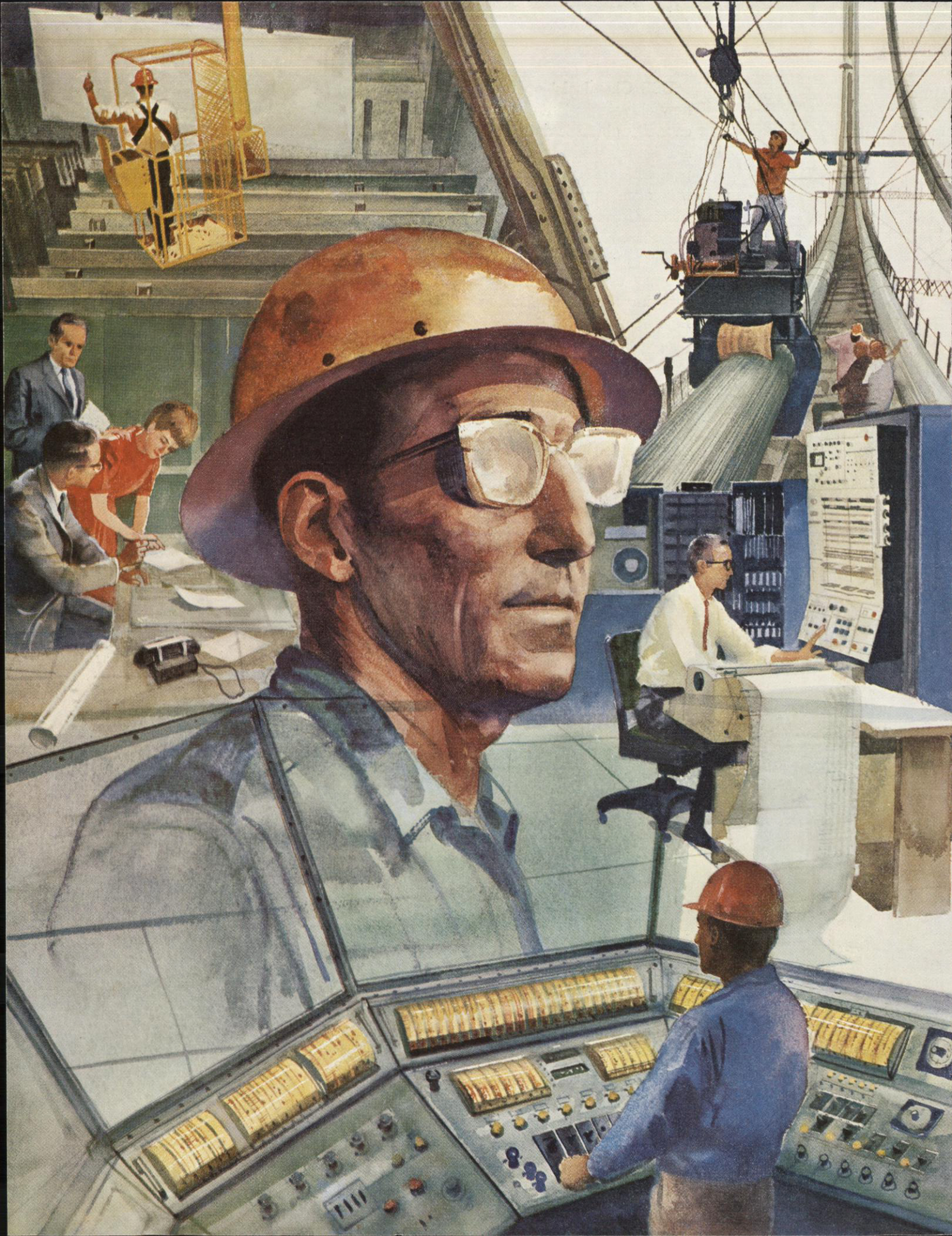


USS Chemicals' operations were expanded in 1969 with the start-up of five new chemical plants. A naphthalene purification plant and a 125 million-pound capacity phthalic anhydride plant in the Pittsburgh area combine to make U. S. Steel a large producer of phthalic anhydride, an important raw material for the production of plasticizers, alkyd and polyester resins, dyes and drugs. Also in this area, a maleic anhydride plant and a fumaric acid plant substantially increase the output of these products sold to others for use in the production of polyester resins, coatings and other chemical products. A new plant at Haverhill, Ohio, produces synthetic phenol and acetone, and one under construction will produce alpha methylstyrene. These three new products add to USS Chemicals' growing line of chemicals used in the production of plastics and synthetic coatings. A new unit scheduled for completion in 1971 will substantially increase the production of plasticizers in the Pittsburgh area.

USS Chemicals is moving rapidly into the fast-growing markets for molded plastic automotive and appliance parts—consoles, gas tanks, radio and television cabinets and washing machine tubs—and for plastic containers, such as pails, trash barrels and tumblers. During 1969, additional molding equipment was installed at its Indiana plant, and a fifth molding plant was established near Atlanta, Georgia, to provide expansion into southeastern markets. At Haverhill, Ohio, construction is under way on a 200 million-pound per year polystyrene resin plant. When completed in 1971, this unit will supply high quality poly-

With coal mining, coking and coal chemical recovery operations as a base, U. S. Steel has been adding facilities, such as this new phenol and acetone plant, to produce increasing quantities of industrial chemicals as well as a growing line of products for plastics markets.





styrene resins both to the plastic molding operations and for sale in the burgeoning market for thermoplastic resins.

USS Agri-Chemicals produces a wide variety of fertilizers and markets these along with crop protection chemicals for farm, ranch and home consumption across the United States and in Puerto Rico. The raw materials for the fertilizer operations include nitrogen obtained from U. S. Steel's coke oven gas and from purchased natural gas, own-mined phosphate rock—which is also sold to customers—and purchased potash. Poor spring weather caused a drop in fertilizer consumption during the 1969 crop year. This in turn further depressed fertilizer prices, thereby retarding the growth and profitability of fertilizer sales.

Chemical investments overseas also are being expanded. U. S. Steel has arrangements for a 36 percent participation in a company in West Central India to produce fertilizers for use in India. A Netherlands company, 50 percent owned by U. S. Steel and using its proprietary processes, makes and sells industrial protective coatings.

Cement

Cement sales totaled 29.3 million barrels in 1969, slightly higher than last year, despite a lengthy and costly strike at six plants. The cement price level, as published by the Bureau of Mines, was still below that prevailing in 1958.

Universal Atlas Cement Division's latest facility additions will increase its production of specialty cements. A white portland cement facility at Waco, Texas, was brought into operation early in 1969. Additional and improved calcium-aluminate refractory cement facilities in the Chicago area are scheduled for completion in late 1970.

Bahama Cement Company, a wholly-owned subsidiary, reached a new production peak in 1969, serving markets in the Bahama Islands, Bermuda and the United States from its limestone processing and cement-making facilities on Grand Bahama Island.

Other Materials and Services

USS Engineers and Consultants, Inc.

This wholly-owned subsidiary was formed early in 1969 to provide worldwide professional engineering and consulting services in a wide range of steelmaking and related technical areas, including raw materials, chemicals, air and water treatment and engineering and scientific computer services. Investment feasibility studies of continuous-continuous casting technology are being performed for several steel companies. Consulting service contracts or patent licensing agreements are now in effect with companies in 14 foreign countries. In late 1969, a subsidiary company, USS Consultants of Canada, Ltd., was formed to extend the provision of consulting services in Canada.

Housing and Real Estate

U. S. Steel expects to participate increasingly in supplying this Nation's housing requirements, which have been estimated at 26 million new living units in the next ten years.

Three proposals for modular or unitized, mass-produced housing units have been submitted under U. S. Steel's initial participation in "Operation Breakthrough," a Government program to create innovative housing concepts for low and moderate income families.

U. S. Steel Homes Division manufactures preengineered, factory-produced homes and structural building components for single-family residences and a variety of other buildings. These components are being used in many low-income housing projects such as Oak Knoll Terrace in Gary, Ind., Apollo Heights in Raleigh, N. C., and Lemington Heights near Pittsburgh, Pa. The division has expanded its Indiana plant and is establishing branch plants in Florida and Texas.

Alside, Inc., a wholly-owned subsidiary, manufactures and sells the broadest line of aluminum and other residential siding products in its field. The product line was recently expanded with the addition of ALSIDE Super Steel Siding. Its fiberglass plant in Puerto Rico is being expanded to include manufacture of a new simulated brick panel.

USS Realty Development, a division of U. S. Steel, was organized in 1969 to develop real estate—either presently owned or newly acquired—through planning and construction for sale, for lease or for its own operation. It supplements U. S. Steel's other real estate activities. Realty project authorizations totaled \$91 million, of which \$16 million was expended in 1969.

One of its initial projects involves the construction of two hotels at Walt Disney World in Florida. These hotels, containing about 1,500 rooms of lightweight, unitized steel construction, will be leased to and operated by a Walt Disney company. Other projects include the development of a former plant site in Birmingham, Alabama, into an industrial park; the planning of an industrial park and also a residential community in New Jersey; the purchase of 950 acres for development in Maryland; a joint venture with Connecticut Mutual Life Insurance Company in a proposed 13,500-acre real estate development in Dade County, Florida; and the purchase of 480 acres of resort property in the Clearwater, Florida, area for development.

Other activities include a joint venture with others in erecting, in New York's financial district, a 54-story rental office building that is scheduled for occupancy in 1971. U. S. Steel's 64-story Pittsburgh headquarters building under construction will provide space to centralize U. S. Steel personnel now located in a number of different buildings. About 40 percent of the space will be rented to other firms as will also the space presently occupied as its Pittsburgh headquarters.

Titanium

Reactive Metals, Inc., equally owned by U. S. Steel and National Distillers and Chemical Corporation, is a major producer of strong, lightweight, corrosion-resistant titanium and titanium alloys for the aircraft, aerospace, chemical processing, marine and other industries. During 1969, Reactive substantially strengthened its competitive position with completion of a three-year modernization and expansion program for the production of billets, bars and plates.

Financing Services

In late 1968, U. S. Steel Finance Corporation, a wholly-owned subsidiary, was incorporated to engage in the general financing business, including construction loans. During 1969, U. S. Steel formed another wholly-owned subsidiary, U. S. Steel Leasing Co., Inc., to engage in the general leasing business. U. S. Steel also acquired Percy Wilson Mortgage and Finance Corporation, a company active in servicing industrial, commercial and residential mortgages.

These new companies, together with U. S. Steel Homes Credit Corporation and Eastern States Mortgage Company, previously existing wholly-owned sub-

STOCKHOLDERS AND SHARES - COMMON STOCK

December 31, 1969

Registered in name of:

	Holders	Shares
Individuals		
— Women	126,708	13,231,934
— Men	97,863	12,155,340
— Joint Accounts	87,453	6,674,132
Total Individuals	312,024	32,061,406
Nominees	1,453	11,711,892
Brokers	410	6,183,026
Others	31,448	4,212,638
Total	345,335	54,168,962

The number of registered holders of common stock decreased 3,190 during the year. No individual held of record as much as two-tenths of one percent of the common stock. Stock registered in the name of nominees, brokers and others is owned by insurance companies; charitable, religious and educational organizations of many types; pension funds; investment companies; trustees, custodians and estates; and others, including many individuals. 35,977 employee participants in the Savings Fund Plan for Salaried Employees are the beneficial owners of stock held by the Trustee of the Plan in the name of a nominee.

EMPLOYMENT COSTS

	Millions	
	1969	1968
Wages and Salaries	\$1,848.5	\$1,734.0
Employe Benefits		
Pension costs	\$ 72.6	\$ 70.2
Social security taxes	88.6	79.0
Insurance costs	101.7	94.6
Supplemental unemployment and extended vacation benefit costs*	22.7	27.0
Savings fund costs	13.2	12.7
Payments to industry welfare and retirement funds and other employee benefit costs	37.4	38.4
Total Cost of Employee Benefits	\$ 336.2	\$ 321.9
Total Employment Costs	\$2,184.7	\$2,055.9
Average Number of Employees	204,723	201,017

*Excludes \$35.6 and \$48.9 millions in 1969 and 1968, respectively, for extended vacation benefits which are included as wages and salaries.

EMPLOYEE BENEFITS

PENSIONS

Number of employees pensioned during the year	6,000	4,871
Number of pensioners or co-pensioners at year-end	56,293	53,895
Benefits to pensioners or co-pensioners (millions)	\$ 112.4	\$ 99.2

INSURANCE

Life insurance in force at year-end for active and retired employees (millions)	\$1,860.5	\$1,803.4
Death benefits received by beneficiaries (millions)	\$ 20.4	\$ 19.3
Accident, sickness, hospital, surgical, in-hospital medical and major medical benefits to employees or their families (millions)	\$ 70.3	\$ 65.7

SAVINGS FUND PLAN FOR SALARIED EMPLOYEES

Employee savings		
Amount saved in year (millions)	\$ 25.0	\$ 23.9
Participants—number at year-end	35,320	35,692
% of those eligible	94.9%	94.5%
Company contributions applicable to Savings (millions)	\$ 12.4	\$ 12.0
Additional vacation benefits (millions)	\$ 6.6	\$ 2.5
U. S. Steel common stock held in fund for participants at year-end		
Number of shares	4,431,208	3,906,743
% of common shares outstanding	8.2%	7.2%

sidiaries engaged in financing and mortgage activities, provide a broadened scope of U. S. Steel's financing services.

Of General Interest

Employment

A total of \$2.2 billion, or more than 45 percent of every dollar received from customers, was paid to or for the benefit of employees in 1969. These payments and a summary of benefits from some of the programs are detailed in the tables on page 19. Employment costs averaged \$5.72 per hour worked in 1969.

The current basic labor agreement with the United Steelworkers of America covering the majority of production and maintenance employees in steel producing operations remains in effect until terminated after July 31, 1971, by either party upon 60 days' advance notice. Under this agreement, hourly wage rates were increased and pension benefits were improved, effective August 1, 1969, and further increases in employment costs are scheduled in 1970. Employees represented by the United Mine Workers also received increased wages and a Christmas bonus supplement in 1969 under terms of a 1968 agreement. Wages, salaries and benefits were increased for certain other union-represented employees and appropriate adjustments were made for certain other salaried employees.

Training and Development Programs

U. S. Steel is an Equal Employment Opportunity employer in all its operations. During 1969, U. S. Steel hired more than 3,500 chronically unemployed under a cooperative program with the National Alliance of Businessmen and, in addition, hired nearly 1,200 needy youths for summer jobs. Agreements were recently concluded with the Federal Government to increase the training opportunities for developing productive employees from members of disadvantaged groups. Some 2,500 people will be provided orientation, personal and industrial counseling, basic education and on-the-job training.

U. S. Steel has extensive training programs for its employees, including the Industrial Studies Program with a curriculum of 93 courses, most of which are college level, and an enrollment during 1969 of more than 5,000 employees. Courses cover steelmaking, engineering, computers and many general educational subjects. In 1969, a Manager Development Program for middle managers was inaugurated to complement existing management trainee, supervisory and advanced management development programs.

Safety

Injuries sustained by employees in steel producing operations occurred in 1969 at the rate of 0.63 disabling injuries per million man-hours worked—the second lowest rate in U. S. Steel's history. This rate, equivalent to one disabling injury for every 830 man-years worked, is less than one sixth the rate for the rest of the steel industry and is less than one tenth the average rate for all industry.

In the annual Metals Section Safety Contest of the National Safety Council, six U. S. Steel plants and warehouses were first place winners and nine won second place awards. On land, water and underground, non-steel operations also won numerous safety awards, including the coveted "Sentinels of Safety" for the best underground coal mine safety performance in the country. In recent years, the injury frequency rate in U. S. Steel's coal mining operations has averaged less than one twelfth the rate for the coal mining industry.

Contributions

United States Steel Foundation, Inc., which was formed in 1953, continues to provide aid for charitable, educational and scientific organizations and activities. During its fiscal year ended November 30, 1969, the Foundation made grants totaling \$6.0 million. Some \$600,000, including certain property no longer needed in its operations, was donated directly by U. S. Steel to various local charitable and educational organizations during 1969.

Air and Water Quality Controls

U. S. Steel has come a long way in its pollution abatement efforts since the first 12-foot square scale pit was dug on plant property in Gary, Indiana, in 1911. Today, extensive water treatment systems at the Gary steel operations collectively cover about 35 acres.

At U. S. Steel's nearby South Chicago plant, the final phase of another major water quality program is progressing toward its scheduled completion in 1970 and is far ahead of the pollution abatement performance by government sanitary agencies in that area. The directives of these agencies, however, have put U. S. Steel in the position of engineering and constructing facilities to meet shifting standards, which have been changed frequently during actual construction.

During 1969, U. S. Steel drew praise from Interior Secretary Walter J. Hickel for its pollution abatement practices in the Great Lakes. "What U. S. Steel has done," Secretary Hickel said, "is both good policy and good industrial practice. It is making a positive contribution to assuring adequate water supplies for future industrial and domestic expansion."

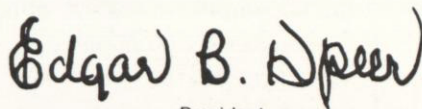
Extensive installations of dust collection and air pollution controls in U. S. Steel's coke, sinter, iron and steelmaking, chemical and cement operations also are continuing at a rapid pace.

U. S. Steel's capital investment in air and water treatment facilities continues to mount, with new authorizations during the three years 1967-69 totaling some \$130 million, or about 7 percent of total facility authorizations during this period. But original investment is only part of the story. Continuing substantial costs are incurred in the operation and maintenance of this non-revenue-producing equipment.

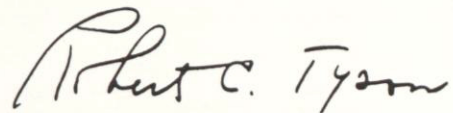
Federal tax relief for such air and water quality control projects should be a matter of special concern to everyone. Specifically, such facility expenditures are believed to be an operating expense as incurred. While the new tax law provides some relief in connection with such projects, the continued progress which must be made in every community requires at least accelerated write-off of all air and water quality control expenditures.



Chairman, Board of Directors



President



Chairman, Finance Committee

February 24, 1970

Financial Statements

Summary of 1969 Financial Operations



ADDITIONS TO WORKING CAPITAL

Income	\$217,206,967
<i>Add</i> —Wear and exhaustion of facilities	289,570,680
Deferred taxes on income	20,854,306
Proceeds from sales and salvage of plant and equipment	36,347,711
Proceeds from sale of common stock under Stock Option Incentive Plans	876,263
Miscellaneous additions	<u>7,508,033</u>
Total additions	572,363,960

DEDUCTIONS FROM WORKING CAPITAL

Expended for plant and equipment	\$601,791,836
Increase in other investments	45,874,389
Dividends declared on common stock	129,796,519
Reduction in long-term debt due after one year	<u>136,588,441</u>
Total deductions	<u>914,051,185</u>
DECREASE IN WORKING CAPITAL	<u><u>\$341,687,225</u></u>

WORKING CAPITAL PER CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 1969	\$533,633,897
December 31, 1968	<u>875,321,122</u>
DECREASE	<u><u>\$341,687,225</u></u>

Consolidated Statement of Income



	1969	1968
PRODUCTS AND SERVICES SOLD	\$4,825,137,559	\$4,609,234,734
 COSTS		
Employment costs		
Wages and salaries	1,848,516,243	1,734,019,614
Employee benefits (<i>see page 19</i>)	<u>336,211,943</u>	<u>321,897,182</u>
	2,184,728,186	2,055,916,796
Products and services bought	1,869,955,619	1,766,144,174
Wear and exhaustion of facilities	289,570,680	253,114,609
Interest and other costs on long-term debt	70,682,461	67,043,333
State, local and miscellaneous taxes	124,993,646	113,340,273
Estimated United States and foreign taxes on income	<u>68,000,000</u>	<u>100,000,000</u>
<i>Total</i>	<u>4,607,930,592</u>	<u>4,355,559,185</u>
 INCOME	217,206,967	253,675,549
Income Per Common Share	\$4.01	\$4.69
 DIVIDENDS DECLARED		
On common stock (<i>\$2.40 per share</i>)	<u>129,796,519</u>	<u>129,947,699</u>
 INCOME REINVESTED IN BUSINESS	<u>\$ 87,410,448</u>	<u>\$ 123,727,850</u>

Consolidated Statement of Financial Position



	Dec. 31, 1969	Dec. 31, 1968
CURRENT ASSETS		
Cash	\$ 265,852,461	\$ 268,023,799
Marketable securities, at cost (approximates market)	83,178,688	461,825,000
Receivables, less estimated bad debts	647,566,517	467,189,236
Inventories (<i>details on page 25</i>)	868,596,179	813,530,008
<i>Total</i>	<u>1,865,193,845</u>	<u>2,010,568,043</u>
<i>Less</i>		
CURRENT LIABILITIES		
Notes and accounts payable	976,399,851	834,171,442
Accrued taxes	291,937,610	247,218,768
Dividend payable	32,490,057	32,488,417
Long-term debt due within one year	30,732,430	21,368,294
<i>Total</i>	<u>1,331,559,948</u>	<u>1,135,246,921</u>
WORKING CAPITAL	533,633,897	875,321,122
Marketable securities, at cost (approximates market), set aside for plant and equipment additions and replacements	655,000,000	655,000,000
Other investments, at cost less estimated losses	193,289,605	147,415,216
Plant and equipment, less depreciation (<i>details on page 25</i>)	3,721,903,574	3,446,030,129
Operating parts and supplies	51,750,875	51,973,773
Costs applicable to future periods	73,061,762	80,346,897
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>5,228,639,713</u>	<u>5,256,087,137</u>
<i>Deduct</i>		
Long-term debt (<i>details on page 25</i>)	1,434,667,234	1,571,255,675
Reserves and deferred taxes on income (<i>details on page 25</i>)	361,367,372	340,349,303
EXCESS OF ASSETS OVER LIABILITIES AND RESERVES	<u>\$3,432,605,107</u>	<u>\$3,344,482,159</u>
OWNERSHIP EVIDENCED BY		
Common stock (authorized 90,000,000 shares; outstanding 54,168,962 shares at December 31, 1969 and 54,145,212 shares at December 31, 1968)		
Par value \$30 per share	\$1,625,068,860	\$1,624,356,360
Income reinvested in business (<i>see page 23 for addition of \$87,410,448 in 1969</i>)	1,807,536,247	1,720,125,799
<i>Total</i>	<u>\$3,432,605,107</u>	<u>\$3,344,482,159</u>

Details of Selected Items



Dollars in millions

PLANT AND EQUIPMENT

	Facilities (at cost)				Less depreciation and depletion			Net
	Land	Plant	Transportation	Total	Plant	Transportation	Total	
Balance December 31, 1968	\$127.8	\$7,640.7	\$812.3	\$8,580.8	\$4,678.4	\$456.4	\$5,134.8	\$3,446.0
Additions	5.3	565.2	31.3	601.8	288.8	8.9	297.7†	304.1
Deductions	15.9	99.6	16.5	132.0	89.1	14.7	103.8	28.2‡
Balance December 31, 1969	\$117.2	\$8,106.3	\$827.1	\$9,050.6	\$4,878.1	\$450.6	\$5,328.7	\$3,721.9

†Wear and exhaustion of \$289.6 million shown in the Consolidated Statement of Income comprises depreciation and depletion of \$297.7 million, less profit of \$8.1 million resulting from sales.

‡Includes \$36.3 million proceeds from sales and salvage of plant and equipment, less profit of \$8.1 million resulting therefrom.

RESERVES AND DEFERRED TAXES ON INCOME

	Deducted from:		Other				Total other
	Current receivables	Other investments	Reserve for insurance	Reserve for contingencies	Accident and hospital	Deferred income taxes	
Balance December 31, 1968	\$6.9	\$5.6	\$50.0	\$40.7	\$ 9.4	\$240.2	\$340.3
Additions	1.2	—	2.3	.1	28.0	20.9	51.3
Deductions	.3	—	2.3	—	28.0	—	30.3
Balance December 31, 1969	\$8.4	\$5.6	\$50.0	\$40.8	\$ 9.4	\$261.1	\$361.3

INVENTORIES

	Ore, limestone, coal and coke	Non-ferrous metals	Semi-finished products	Finished products	Supplies and sundry items	Contracts in progress	Total inventories
December 31, 1968	\$188.8	\$23.0	\$221.5	\$244.8	\$115.7	\$19.7	\$813.5
December 31, 1969	148.0	19.6	271.9	284.7	121.5	22.9	868.6

For the most part, inventories are carried at cost as determined under the last-in, first-out method, and the remainder is carried at

cost or market, whichever is lower. The last-in, first-out method was first adopted in 1941 and extended in 1942 and 1947.

LONG-TERM DEBT

	Interest rates	Years of maturity	Outstanding Dec. 31, 1969	Decrease in year
United States Steel Corporation				
Sinking Fund Debentures (Callable)	4	1983	\$ 183.8	\$ 17.5
Sinking Fund Debentures (Callable)	4½	1986	212.7	18.0
Subordinated Debentures (Callable)	4⅝	1996	622.8	—
Notes payable	8½*	1972	220.0	90.0
Long-term lease obligations relating to Industrial Development Revenue Bonds	3.95–5⅜	1970–1988	100.2	.8
Real estate mortgages and purchase money obligations	—	—	3.2	.1
Subsidiaries				
Railroad companies First Mortgage Bonds (Callable)	2⅞–3¼	1970–1996	17.9	1.9
Notes payable	4½–6⅝	1970–1982	98.4	1.3
Real estate mortgages and purchase money obligations	—	—	6.4	.2
Total long-term debt			1,465.4	127.2
Less amount due within one year			30.7	9.4
Long-term debt due after one year			\$1,434.7	\$136.6

*Rate varies with prime commercial rate.

Notes to Financial Statements



PRINCIPLES APPLIED IN CONSOLIDATION

Subsidiaries consolidated include all companies (with minor exceptions) of which a majority of the capital stock is owned by U.S. Steel or by any of its consolidated subsidiaries.

SECURITIES SET ASIDE FOR PLANT AND EQUIPMENT ADDITIONS AND REPLACEMENTS

At December 31, 1969, completion of authorized additions to and replacements of facilities required an estimated further expenditure of \$930 million and marketable securities set aside to cover in part such authorized expenditures totaled \$655 million, the same as at the end of 1968.

WEAR AND EXHAUSTION OF FACILITIES

For the most part, wear and exhaustion of facilities is related to U.S. Steel's rate of operations and is based on the guideline procedures established in 1962 by the Internal Revenue Service.

Beginning in 1968, U.S. Steel, for financial reporting purposes, changed from accelerated methods of computing depreciation to the straight-line method and began taking the investment credit provided for in the income tax laws directly into income as a reduction in the provision for income taxes. The investment credit for 1967 and prior years continues to be allocated to future years. Investment credit amounts included in 1969 income totaled \$35.3 million.

RESERVES AND DEFERRED TAXES ON INCOME

U.S. Steel is, for the most part, a self-insurer of its assets against fire, windstorm, marine and related losses. The insurance reserve of \$50 million is held available for absorbing possible losses of this character, and is considered adequate for this purpose.

The reserves for contingencies and accident and hospital expenses of \$50.2 million, provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

PREFERRED STOCK

U.S. Steel is authorized to issue 20,000,000 shares of preferred stock, without par value. At December 31, 1969, none of this stock had been issued.

STOCK OPTION INCENTIVE PLANS

The Stock Option Incentive Plan approved by stockholders in 1964 and the Plan approved in 1951 authorized the option and sale of up to 1,500,000 shares and 2,600,000 shares of common stock, respectively, to key management employees, such shares of stock to be made available from authorized unissued or reacquired common stock at market price on the date the options are granted. Under the terms of the 1964 Plan, the granting of options terminated in 1969. As a result of such termination, no more than 1,017,500 shares have been or can be issued under the 1964 Plan. The granting of options under the 1951 Plan was terminated in 1964. An option may be exercised in whole at any time, or in part from time to time, during the option period if no prior option is outstanding at a higher price. The option period begins on the date the option is granted and ends five years (1964 Plan) and ten years (1951 Plan) thereafter, except in cases of death, retirement or other earlier termination.

In 1969, options for 12,300 shares were granted to 9 employees at the then market price of \$48.00 per share. During 1969, 19 optionees purchased 22,550 shares at \$36.75 per share and 1,200 shares at \$39.625 per share under options granted under the 1964 Plan.

At December 31, 1969, 294 optionees held options to purchase 993,375 shares at prices ranging from \$36.75 to \$82.00 per share for a total of \$38.5 million.

PENSION FUNDING

U.S. Steel's pension plan covers substantially all its employees. Pension costs are determined by an independent actuary, based upon various actuarial factors and an actuarial method under which both current and unfunded past service costs are funded over the future on a combined basis by payment into pension trusts. From time to time actuarial factors are adjusted in the light of actual experience; in 1969 the effect of such an adjustment, principally of the interest factor, was to increase income by \$14.4 million. For 1969, the cost of pensions amounted to \$72.6 million compared with \$70.2 million in 1968.

The combined assets of the contributory and non-contributory pension trusts were \$2,050.4 million at

Independent Auditors' Report



(Notes to Financial Statements continued)

December 31, 1969 and \$1,965.2 million at December 31, 1968, as set forth in the statement appearing on page 30. These funds are held by the trustee, United States Steel and Carnegie Pension Fund (a non-profit Pennsylvania membership corporation), solely for the payment of benefits under the U.S. Steel pension plan.

OTHER ITEMS

Other Investments — Other investments include long-term receivables of \$106.7 million.

Production Payments — In December 1968, U. S. Steel sold proceeds of mineral production payments which represent an interest in a portion of future production of minerals. These transactions are reflected in operations over the lives of the contracts.

Products and Services Sold—Products and services sold includes interest, dividends and other income of \$71.0 million in 1969 and \$72.5 million in 1968.

Costs—Wages and salaries totaled \$1,883.0 million in 1969 of which \$1,848.5 million was included in

costs of products and services sold and the balance was charged to construction.

Products and services bought reflects the changes during the year in inventories and deferred costs. These items increased during 1969 approximately \$48 million.

If the total of wages and salaries and products and services bought in 1969 were reclassified as costs of products and services sold and general administrative and selling expenses, the amounts there-of would be \$3,493.2 million and \$225.3 million, respectively.

Maintenance and repairs of plant and equipment totaled \$684.5 million in 1969.

Non-cancellable charters and leases covering ore ships, office space, and other properties with minimum rentals aggregating approximately \$38 million per year were in effect at December 31, 1969, the major portion of which terminates within ten years. In 1969, expenditures on such charters and leases amounted to approximately \$46 million.

PRICE WATERHOUSE & CO.

60 BROAD STREET

NEW YORK 10004

To the Stockholders of

February 24, 1970

United States Steel Corporation:

In our opinion, the accompanying Consolidated Statement of Financial Position and related Statement of Income and Summary of Financial Operations present fairly the position of United States Steel Corporation and subsidiaries at December 31, 1969 and the results of operations and changes in working capital for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

16 Year Story

U. S. Steel's Operating and Financial Story 1954-1969



SUMMARY OF OPERATING DATA (net tons in millions)

Year	Total ores mined	Total coal mined	Total coke produced	Total iron produced	Raw steel produced	Steel products shipped	Employment statistics			
							No. of employees	Weekly hours	Hourly earnings	Hourly employment cost
1954	37.9	22.7	18.7	20.9	28.4	20.2	268,142	35.6	\$2.49	\$2.84
1955	52.1	25.2	21.6	26.0	35.3	25.5	272,646	37.5	2.70	3.08
1956	47.4	23.0	20.6	24.6	33.4	23.9	260,646	37.1	2.93	3.38
1957	57.9	23.5	22.3	26.4	33.7	23.4	271,037	36.3	3.19	3.71
1958	39.8	16.8	15.1	18.1	23.8	17.0	223,490	34.2	3.50	3.87
1959	36.4	15.0	14.8	18.6	24.4	18.1	200,329	35.1	3.78	4.39
1960	50.2	18.0	16.6	21.2	27.3	18.7	225,081	34.8	3.68	4.30
1961	35.8	15.2	14.2	19.3	25.2	16.8	199,243	35.1	3.89	4.57
1962	37.7	13.5	13.1	18.9	25.4	17.8	194,044	35.0	4.01	4.62
1963	37.0	14.5	13.5	20.9	27.6	18.9	187,721	35.9	4.04	4.68
1964	44.9	17.0	15.6	25.2	32.4	21.2	199,979	36.8	4.08	4.74
1965	46.8	18.0	17.4	25.1	32.6	22.5	208,838	36.1	4.21	4.81
1966	48.1	18.0	17.7	25.7	32.8	21.6	205,544	36.3	4.29	5.01
1967	45.0	19.0	17.8	24.3	30.9	19.8	197,643	35.7	4.41	5.19
1968	44.2	18.0	17.5	25.3	32.4	22.5	201,017	35.8	4.69	5.57
1969	49.9	18.1	17.3	27.3	34.7	22.4	204,723	36.5	4.84	5.72

Production data, which are grouped in broad product classifications, include all production of the materials by the operating divisions and subsidiaries and exclude all materials purchased. The average weekly hours shown are based on the average monthly number of employees

receiving pay. Hourly employment cost includes hourly earnings, social security taxes, pensions, insurance and other employee benefit costs.

SUMMARY OF FINANCIAL OPERATIONS (change in working capital in millions of dollars)

Year	Income as reported	Wear and exhaustion of facilities	Additions			For plant & equipment		Deductions		Total dividends declared	Miscellaneous deductions	Increase in working capital
			Deferred taxes on income	Sale of securities	Miscellaneous additions	Total expenditures	Securities set aside	For long-term debt	Added to current debt			
1954	195.4	261.8	—	309.5	17.8	227.4	—	5.1	35.3	110.7	—	406.0
1955	370.1	285.2	—	13.7	6.7	239.8	300.0	44.8	6.8	148.1	6.7	56.9
1956	348.1	277.6	—	4.8	29.8	311.8	225.0	42.7	1.6	170.1	3.7	91.4
1957	419.4	276.0	—	2.1	7.3	514.9	110.0	33.2	4.7	186.5	9.0	75.9
1958	301.5	204.9	—	302.6	7.6	448.1	115.0	27.2	1.8	186.6	21.2	16.7
1959	254.5	189.9	—	6.5	19.4	366.1	35.0	28.9	4.1	187.0	—	80.8
1960	304.2	208.4	—	2.9	8.3	492.4	195.0	32.8	1.1	187.2	14.9	7.4
1961	190.2	210.5	—	499.2	4.4	326.8	—	28.6	.8	187.5	21.2	339.4
1962	163.7	265.9	—	.1	14.1	200.6	—	41.9	18.1	160.5	6.9	15.8
1963	203.5	307.8	—	—	13.4	244.7	30.0	62.9	—	133.4	5.4	48.3
1964	236.8	335.8	—	.7	20.2	292.6	325.0	54.5	29.4	133.5	2.5	185.2
1965	275.5	324.5	—	.4	22.0	353.6	—	39.3	1.0	133.5	30.8	64.2
1966	249.2	344.3	—	—	28.7	440.7	—	60.1	15.0	119.1	53.9	66.6
1967	172.5	354.7	—	.2	60.6	574.7	—	68.5	16.4	129.9	—	168.7
1968	253.7	253.1	172.2	435.1	8.5	697.4	—	63.9	.6	129.9	10.7	220.1
1969	217.2	289.6	20.9	.9	43.8	601.8	—	127.2	9.4	129.8	45.9	341.7

CONSOLIDATED STATEMENT OF INCOME (dollars in millions)

Year	Products & services sold	Employment costs (1)	Products & services bought	Wear and exhaustion of facilities	Interest & other costs on debt	Income & other taxes	Income			Total dividends declared (3)	Reinvested in business
							Amount	% of sales	Per common share (2)		
1954	3,250.4	1,387.0	1,134.3	261.8	5.2	266.7	195.4	6.0	3.23	110.7	84.7
1955	4,097.7	1,614.9	1,355.2	285.2	9.1	463.2	370.1	9.0	6.44	148.1	222.0
1956	4,228.9	1,681.0	1,487.5	277.6	7.7	427.0	348.1	8.2	6.01	170.1	178.0
1957	4,413.8	1,862.0	1,324.2	276.0	7.0	525.2	419.4	9.5	7.33	186.5	232.9
1958	3,472.1	1,488.5	1,085.6	204.9	11.5	380.1	301.5	8.7	5.13	186.6	114.9
1959	3,643.0	1,576.2	1,278.2	189.9	17.6	326.6	254.5	7.0	4.25	187.0	67.5
1960	3,698.5	1,700.0	1,091.2	208.4	16.9	377.8	304.2	8.2	5.16	187.2	117.0
1961	3,336.5	1,622.7	1,022.4	210.5	29.9	260.8	190.2	5.7	3.05	187.5	2.7
1962	3,501.0	1,608.3	1,192.4	265.9	37.5	233.2	163.7	4.7	2.56	160.5	3.2
1963	3,637.2	1,611.5	1,211.0	307.8	35.6	267.8	203.5	5.6	3.30	133.4	70.1
1964	4,129.4	1,795.0	1,404.8	335.8	34.4	322.6	236.8	5.7	3.91	133.5	103.3
1965	4,465.0	1,863.8	1,624.8	324.5	30.9	345.5	275.5	6.2	4.62	133.5	142.0
1966	4,434.7	1,916.0	1,559.0	344.3	56.6	309.6	249.2	5.6	4.60	119.1	130.1
1967	4,067.2	1,871.6	1,431.8	354.7	54.4	182.2	172.5	4.2	3.19	129.9	42.6
1968	4,609.2	2,055.9	1,766.1	253.1	67.1	213.3	253.7	5.5	4.69	129.9	123.8
1969	4,825.1	2,184.7	1,870.0	289.6	70.6	193.0	217.2	4.5	4.01	129.8	87.4

(1) Employment costs include pensions, social security taxes, insurance and other employee benefit costs.

(2) Adjusted to reflect 2 for 1 stock split in 1955.

(3) Includes \$25.2 million on 7% cumulative preferred stock in each year through 1965.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (dollars in millions)

Dec. 31	Working capital			Total working capital	Securities set aside for plant & equipment	Plant & equipment less depreciation	Other non-current assets (1)	Total assets less current liabilities	Long-term debt due after one year	Reserves & deferred taxes on income	Ownership (Stocks and income reinvested) (2)
	Cash and securities	Receivables and inventories	Less—current liabilities								
1954	639.6	686.4	574.0	752.0	—	1,925.7	97.0	2,774.7	324.1	101.9	2,348.7
1955	567.5	775.6	648.0	695.1	300.0	1,873.7	103.6	2,972.4	286.1	103.7	2,582.6
1956	510.1	815.8	722.2	603.7	525.0	1,878.0	107.4	3,114.1	245.0	105.1	2,764.0
1957	526.3	906.7	753.4	679.6	415.0	2,109.6	116.4	3,320.6	216.5	106.3	2,997.8
1958	507.5	915.6	726.8	696.3	530.0	2,345.1	138.6	3,710.0	487.5	108.5	3,114.0
1959	515.4	908.3	808.2	615.5	495.0	2,511.9	128.5	3,750.9	454.5	112.7	3,183.7
1960	451.7	944.1	787.7	608.1	300.0	2,787.6	143.4	3,839.1	422.8	114.4	3,301.9
1961	642.2	1,060.9	755.6	947.5	300.0	2,899.5	169.4	4,316.4	893.4	117.1	3,305.9
1962	691.3	995.3	723.3	963.3	300.0	2,820.1	176.2	4,259.6	833.4	117.1	3,309.1
1963	857.4	920.8	766.6	1,011.6	330.0	2,743.6	181.6	4,266.8	770.5	117.1	3,379.2
1964	583.0	1,090.9	847.5	826.4	655.0	2,693.0	184.1	4,358.5	745.4	130.4	3,482.7
1965	764.2	986.4	860.0	890.6	655.0	2,714.1	213.4	4,473.1	705.1	143.1	3,624.9
1966	787.9	1,105.7	1,069.6	824.0	655.0	2,798.4	295.3	4,572.7	1,252.8	141.9	3,178.0
1967	430.7	1,241.3	1,016.8	655.2	655.0	3,010.3	269.0	4,589.5	1,200.7	168.1	3,220.7
1968	729.8	1,280.7	1,135.2	875.3	655.0	3,446.0	279.8	5,256.1	1,571.3	340.3	3,344.5
1969	349.0	1,516.2	1,331.6	533.6	655.0	3,721.9	318.1	5,228.6	1,434.7	361.3	3,432.6

(1) Includes other investments, operating parts and supplies and costs applicable to future periods.

(2) Ownership in 1966 and subsequent years is applicable only to common stock; in prior years it also includes \$360.3 million par value of 7% cumulative preferred stock.

Combined Pension Trusts

United States Steel and Carnegie Pension Fund, Trustee

(A non-profit Pennsylvania membership corporation)

STATEMENT OF ASSETS

	Dec. 31, 1969	Dec. 31, 1968
Investments, at cost (less than aggregate market or estimated fair value) (details on page 31)	\$1,966,546,119	\$1,940,134,311
Cash	3,321,062	14,176,556
Accrued interest and other receivables	17,029,975	17,224,773
Contributions receivable in subsequent period	64,993,769	6,649,519
Payables	1,493,258	12,966,865
Assets	<u>\$2,050,397,667</u>	<u>\$1,965,218,294</u>

STATEMENT OF CHANGES DURING THE YEAR

	Year 1969	Year 1968
Balance at beginning of year	\$1,965,218,294	\$1,869,626,125
Additions		
Receipts from employing companies	72,622,181	70,189,781
Receipts from participating employees	6,885,649	6,813,443
Receipts from predecessor trustees of acquired plans	17,757	6,795,069
Income from investments	111,646,569	100,968,660
Gain on disposition of investments	8,238,277	11,984,970
	<u>2,164,628,727</u>	<u>2,066,378,048</u>
Deductions		
Pension payments	112,415,568	99,194,534
Refunds to withdrawing employees	1,815,492	1,965,220
	<u>114,231,060</u>	<u>101,159,754</u>
Balance at end of year	<u>\$2,050,397,667</u>	<u>\$1,965,218,294</u>

United States Steel and Carnegie Pension Fund, Trustee

SUMMARY OF INVESTMENTS

At December 31, 1969

Securities of Subsidiaries of United States Steel Corporation

Elgin, Joliet and Eastern Railway Company First Mortgage Series A . . . \$ 2,659,446

Pittsburg, Bessemer and Lake Erie Railroad Company
First Mortgage Series A . . . 2,314,923

Union Railroad Company First and Refunding Mortgage Series A . . . 5,392,000 \$ 10,366,369

Other bonds, notes and debentures

United States Government . . . 95,861,279

Other . . . 629,121,579 724,982,858

Preferred stocks . . . 26,250,380

Common stocks . . . 930,561,517

Mortgages . . . 12,676,111

Oil, gas and other payments and royalties . . . 19,464,267

Properties owned . . . 242,244,617

Total investments, at cost . . . \$1,966,546,119

To the Board of Directors of
United States Steel and Carnegie Pension Fund:

In our opinion, the accompanying Statement of Assets, Statement of Changes During the Year and Summary of Investments present fairly the financial position of the combined pension trusts administered by United States Steel and Carnegie Pension Fund as trustee at December 31, 1969 and the changes therein during the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally

accepted auditing standards and included confirmation of the cash and investments owned at December 31, 1969 by certificates obtained from the depositaries and custodians, or by inspection, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

60 Broad Street
New York 10004
February 24, 1970



Tools, Jobs and Buying Power

Only as the Nation's tools of production are kept sufficient and efficient can the Nation enjoy economic progress with a rising standard of living and survive in a position of leadership in a troubled world.

Rising prices and taxes and threatening unemployment are escalating people's problems of somehow making ends meet. From Main Street in every town to Pennsylvania Avenue in Washington, the American people—individuals, businesses and governments—are confronted with priorities, the challenges of matching limited funds with unlimited demands.

On taxes, Washington has reacted in one way to these problems by enacting a package of so-called income tax reform and relief. This reform and relief seem to stress re-slicing the income "pie"—who gets what. It is vastly preferable to stress increasing the size of the pie—real, not inflated, growth in the economy. Then all the slices—private as well as public—can grow together.

Such growth in real income—buying power—of course requires increases in production and employment. Getting these increases requires more and more capital formation for investment in tools of production—all the facilities required by business. It is U.S. Steel's belief that tools, jobs and buying power must go—and grow—together.

Tools and Growth:

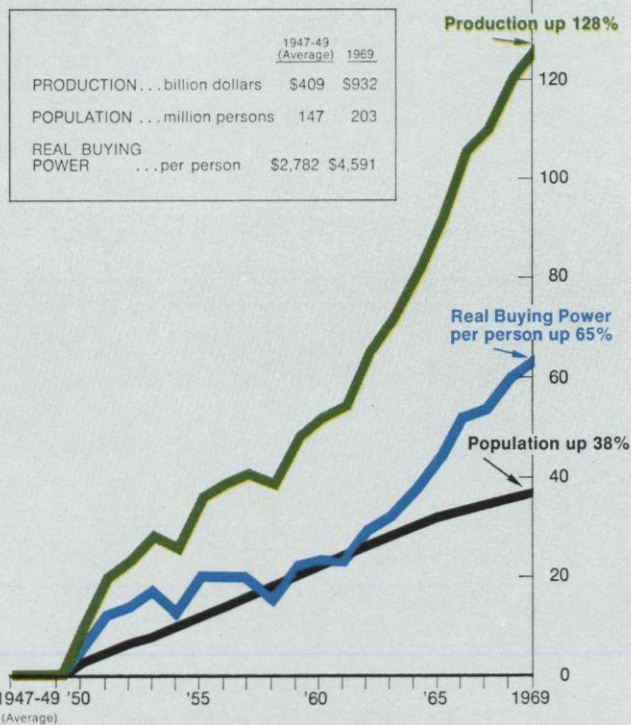
Production and investment—and hence buying power—have advanced much faster than population and employment.

In fact, the record shows that buying power has advanced much faster than population. Since World War II, the Nation's production of goods and services has gone up by 128 percent, as shown in the left chart on page 34. But population has increased by only 38 percent. This means that within a generation the faster growing production, when divided among the more slowly increasing population, has raised the standard of living or real buying power per person by 65 percent.

The record further shows that such improvements in the quantity and quality of goods and services available to the American people have increasingly required investment in productive tools. As shown in the right chart on page 34, real spending for such business structures and equipment since World War II has increased by 125 percent—in line with the growth in the Nation's production of goods and services. But employment has grown by just 37 percent—in line with the increase in population. This means that the rising spending for "tool power," when divided among the working population, has raised the rate of spending per employee by 64 percent—in line with the improvement in buying power per person.

New tool for the Southwest—the 160-inch plate mill at U. S. Steel's Texas Works, near Houston, will be another source of quality plates.

Postwar Growth and Buying Power

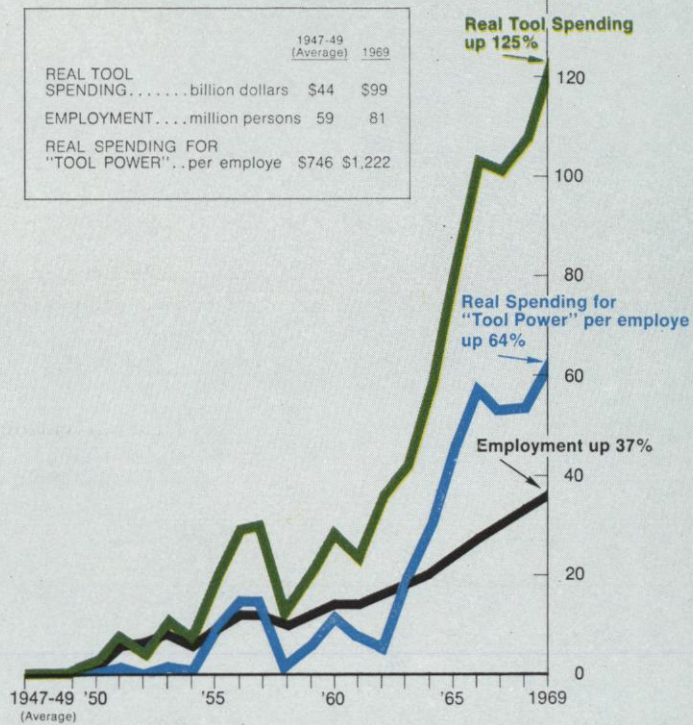


Source: U.S. Department of Commerce

Production is real Gross National Product, adjusted for inflation, expressed in 1969 dollars.

Buying Power is real Gross National Product per person.

Postwar Jobs and Tool Power



Source: U.S. Departments of Commerce and Labor

Tool Spending is real private expenditures for nonresidential structures and producers' durable equipment, adjusted for inflation, expressed in 1969 dollars.

Tools and Goals:

"Maximum employment, production and purchasing power" also means maximum investment.

Over the years, increases in tools at greater rates than increases in employment have helped achieve marked progress toward the post-Depression goals of "maximum employment, production and purchasing power," as set forth in the Employment Act of 1946. But this progress also has encountered problems. For example, when employment has been full and production high, purchasing power has been cut by inflation. And when production has lagged, inflation in wages and prices has eased, but overall purchasing power has been painfully cut by unemployment. Yet business investment in tools, although rising over the years as fast as growth in production, has fluctuated from year to year even more widely than unemployment and inflation.

Thus the record suggests that investment is pivotal—that maximum employment, production and purchasing power also require maximum investment. In other words, experience shows that the goals of the Employment Act are not achieved when investment lags.

Tools and Jobs:

To modernize old jobs and equip more new ones, investment must move ahead—not lag.

An investment lag would thus add to unemployment problems out ahead. Unemployment from business swings may be escalated by other factors. Indeed, population trends for the 1970's signal that those seeking employment may run ahead of population growth—out of line with the way that employment and population have been growing together since World War II.

Now the postwar “babies” are seeking jobs, emerging in larger numbers from schools and the armed forces. According to Government population projections, the work force will likely increase by an average of some 1.5 million persons per year during the 1970's; this compares with an average of about 1.1 million per year in the 1950's and 1960's. This increase means that the working population will include more young people, who tend to spend more and consequently save less for investment.

Moreover, an investment lag would impair the ability to tool up for new technologies surfacing here and abroad. These new technologies are outmoding old tools—and old jobs. Still, despite all the dire talk a few years ago about technological unemployment due to “automation,” the demand for trained employees remains strong.

Thus investment should move ahead—not lag—to modernize old jobs and equip new ones. This will take more—not less—tools and money, more capital than ever before. More capital will take more corporate savings, in a period when rising costs appear to be squeezing profits. More capital will also take more individual savings, in a period when rising prices and taxes are eating away rising money incomes.

Tools and American Competitiveness:

Rising international competition calls for more capital investment in tools at home.

More investment in tools will also be needed in order to maintain American competitiveness in world markets, as U. S. Steel pointed out in its 1968 Annual Report Message on “International Competition.” The U. S. merchandise trade surplus, which was over \$6.5 billion in 1964, practically withered away in 1968; it showed little improvement in 1969. In part, this intensifying competition reflects intensifying investment in tools abroad. The rising competition also involves inequities from higher non-tariff barriers abroad.

While in the long run the objective well may be for nations to dismantle their various trade and investment barriers, in the short run certain changes in trade and investment regulations appear necessary in the interest of America's economic and military security.

Another inequity affecting American competitiveness stems from this Nation's heavy tax burden to support national security of the Free World. In contrast, some of our major international competitors, such as Japan and West Germany, are spending much less of their national income than we are for defense—in part, because we limit by treaty or agreement their full participation. Because of this burden, American goods and services bear a heavier tax cost.

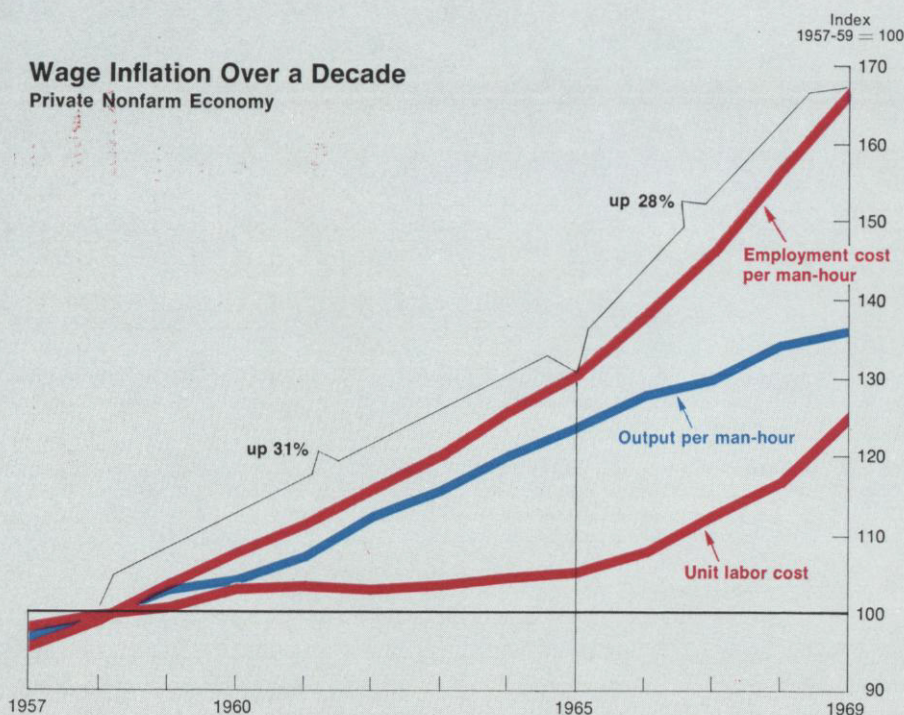
Tools and Wage Inflation:

To counter mounting wage-push pressures, more productivity-boosting equipment is crucial.

But the main reason for declining American competitiveness, despite our heavy spending for tool power, is our international wage disadvantage. Particularly in recent years, this Nation's wage inflation has widened the gap in dollar terms. As previously noted, our merchandise trade surplus has sunk since 1964. Wage inflation in the Nation has also worsened since about the same time, as indicated in the chart on this page.

During the seven years from a base of 1957-59 to 1965, average employment cost per hour in the private nonfarm economy rose by about 31 percent. But in just four years from 1965 to 1969, this hourly cost rose by almost the same percentage as over the previous seven years. In the prior period, improvements in output per man-hour lagged little behind increases in average hourly employment cost; as a result, unit labor cost rose slowly. More recently, improvements in output per man-hour generally continued but fell far behind the much greater rise in hourly employment cost. Thus unit labor cost has risen sharply since 1965, putting upward pressure on prices and downward pressure on profits.

Whatever may have been contributing to—or limiting—inflation in this country in the past, the inflationary spiral is now apparently being propelled by employment cost increases far in excess of improvements in output per man-hour. This excess is most visible in the construction industry but is pressuring all industry—causing widespread cost-push price increases.



Source: U.S. Department of Labor

Earlier in the 1960's, cost and price increases slowed down. Then business could absorb some cost pressures as recovery from recession resulted in large increases in sales volume. Later in the 1960's, despite more investment in productivity-boosting equipment, growth in sales slowed down as the economy reached full employment of manpower and tool power along with the Vietnam escalation. Now, the rise in unit labor cost has speeded up and profit margins are under renewed pressure. So profits in many industries are being squeezed as their costs outpace prices, impairing the ability and incentive to invest. Obviously no business can long survive if its prices cannot keep pace with its costs.

Tools and Priorities:

"Other pressing national needs" also take maximum investment.

National fiscal and monetary policies have been striving, however indirectly, to restrain inflationary pressures. But such overall policies of restraint should not interfere with investment in more and better tools. For growing investment has crucial priority in improving the efficiency and hence wages of today's—and tomorrow's—employees.

Moreover, tools today are a better-than-ever investment, particularly when compared with the cost of labor they help to conserve while maximizing employment. For the cost of tools has not increased nearly so fast as the cost of an hour's work. This progressive advantage of tools reemphasizes the need for more investment in tools to improve efficiency and offset wage inflation, particularly when labor markets are tight and labor output per man-hour sags.

Still, national policies are being altered on the notion that investment "no longer has priority over other pressing national needs." Of course, in a society striving for "maximum employment, production and purchasing power," investment competes with personal and government spending for available people and goods. But in this competition with consumption, investment makes far and away the greater contribution by boosting output from available man-hours. Further, according to Government indices, prices of plant and equipment generally have not increased so fast as prices of consumer goods and services.

Hence investment is the most preferable type of spending to encourage and, on balance, the least preferable to discourage. For investment, unlike much personal and government spending, directly adds to the economy's productive capabilities. Since such tools produce future income, they rate high priority in maintaining "maximum employment, production and purchasing power."

This priority means that other national needs cannot be pressed unless maximum investment is also preserved. Such investment preserves and promotes the jobs and incomes which provide the funds for both private and public efforts to meet the Nation's social needs—such as urban renewal, air and water pollution control, poverty alleviation, crime prevention, education improvements and health care advances.

Tools and Taxes:

Tax laws need real reforms to encourage maximum investment.

Yet even preserving the present rate of capital investment is uncertain in the 1970's. One uncertainty involves the current tax formula for recovery of capital invested in plant and equipment. This formula is based on charges for deprecia-

tion of dollars invested in the past. But because of inflation, these dollars have less buying power today, and thus the depreciation allowed is too small even to maintain existing investment.

So what is not allowed as depreciation must be made up out of profits—return *on* capital instead of return *of* capital. This leaves less capital and less incentive to expand investment in internationally competitive tools and jobs. In other words, as the widening gap between return of capital needed and that allowed is taxed as “profits,” the real tax rate rises and the incentive to invest falls. In effect, this hidden taxation makes already-squeezed profits doubly taxed. Then capital is eroded, and growth in tools, jobs and buying power stagnates.

Such stagnation may very likely recur in the 1970's, as it did in the late 1950's and early 1960's. Admittedly, steps were taken by the Government in 1954 and 1962 to shore up capital erosion by allowing accelerated depreciation and the Investment Tax Credit. But these expedients still fell short of solving the fundamental capital return problem arising from accumulated inflation.

Moreover, this problem will be worsened by Federal tax legislation of 1969. This legislation, including repeal of the Investment Credit, provides for tax “reform” largely against corporations. Since corporations furnish almost two thirds of all jobs and tools, this reform falls heavily on corporate investment. But this legislation also provides for tax relief for individuals. Since individuals spend some two thirds of their income for goods and services consumed, this relief adds heavily to inflationary pressures from consumption.

Consequently, this tax reform and relief trade-off detracts from the long-term anti-inflationary thrust of investment and adds to the short-term inflationary thrust of consumption. Moreover, to the extent that the cost of this kind of tax reform is passed on through higher prices, consumers ironically pay for their own tax relief.

The thrust of this legislation is even more adverse for industries heavily invested in long-lived tools. In particular, repeal of the Investment Credit means that such industries are in effect again taxed at higher rates than are those taxpayers less affected by the repeal. If such industries, including steel, are to maintain maximum capital formation, then capital recovery allowances—depreciation of facilities—will have to be increased. These allowances, in competition with liberal tax treatments available in other major industrial countries, are now under study by the Administration, and it is to be hoped that real reforms may be offered promptly.

■

As the President stated in his tax reform message last year: “. . . a vigorous pace of capital formation will certainly continue to be needed.” Clearly, this Nation must encourage—and cease to discourage—greater capital investment.

Only as the Nation's tools of production are kept sufficient and efficient can the Nation enjoy economic progress with a rising standard of living and survive in a position of leadership in a troubled world. And only with released investment incentives for more and better tools can the Nation achieve its “social priorities” and make a bigger pie for all—keeping job and buying power strong.

Organization

United States Steel Corporation

71 BROADWAY, NEW YORK, N. Y. 10006

525 WILLIAM PENN PLACE, PITTSBURGH, PA. 15230

Directors

- Roger M. Blough*†
Partner, White & Case; Retired Chairman of U. S. Steel
- Harlee Branch, Jr.
Chairman of the Board, The Southern Company
- Edwin H. Gott*†
Chairman of the Board
- Henry T. Heald*†
Chairman, Heald, Hobson and Associates, Incorporated
- Arthur A. Houghton, Jr.*†
President, Steuben Glass
- Thomas V. Jones
Chairman of the Board and President, Northrop Corporation
- R. Heath Larry*†
Vice Chairman of the Board
- Franklin J. Lunding*†
Chairman of the Finance Committee, Jewel Companies, Inc.
- Gordon M. Metcalf
Chairman of the Board, Sears, Roebuck and Co.
- John M. Meyer, Jr.*†
Chairman of the Board, Morgan Guaranty Trust Company of New York
- George S. Moore
Chairman of the Board, First National City Bank
- H. I. Romnes*
Chairman of the Board, American Telephone and Telegraph Company
- Stuart T. Saunders*
Chairman of the Board, Penn Central Company
- Edgar B. Speer*†
President
- Robert C. Tyson*†
Chairman of the Finance Committee
- Wilbert A. Walker*†
Vice Chairman of the Finance Committee and Comptroller
- Henry S. Wingate*†
Chairman, The International Nickel Company of Canada, Limited
- Leslie B. Worthington*
Retired President of U. S. Steel

*Member of Executive Committee

†Member of Finance Committee

Thomas V. Jones was elected September 30, 1969 upon the retirement of John A. Fuller from the Board.

Officers

Edwin H. Gott
Chairman of the Board of Directors
 R. Heath Larry
Vice Chairman of Board of Directors
 Edgar B. Speer
President
 John E. Angle
Executive Vice President—Production
 Henry J. Wallace
Executive Vice President—Commercial
 Randolph W. Hyde
Administrative Vice President and Treasurer

Robert C. Tyson
Chairman of the Finance Committee
 Wilbert A. Walker
Vice Chairman of Finance Committee and Comptroller
 John S. Tennant
General Counsel
 John Pugsley
Executive Vice President—International
 Arthur V. Wiebel
Executive Vice President—Engineering and Research
 Benjamin L. Rawlins
Secretary and Assistant General Counsel

An Operations Policy Committee, consisting of the officer-directors, the executive vice presidents and the general counsel, meets weekly.

ADMINISTRATIVE VICE PRESIDENTS

Marcus J. Aurelius	<i>Commercial</i>
Russell M. Braund	<i>Accounting</i>
Marcus M. Fisher	<i>Accounting</i>
William E. Haskell	<i>Eng. and Research</i>
Thomas W. Hunter	<i>Production</i>
Max W. Lightner	<i>Eng. and Research</i>
Robert M. Lloyd	<i>International</i>
Wilbur L. Lohrentz	<i>Personnel Services</i>
J. D. McCall	<i>Commercial</i>
James L. Ortner	<i>Accounting</i>
J. Warren Shaver	<i>Personnel Services</i>
Patterson S. Weaver	<i>Eng. and Research</i>

VICE PRESIDENTS

Christian F. Beukema	Earl W. Mallick
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United States Steel Corporation



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Oilwell Division, 2001 North Lamar Street, Dallas, Texas 75202
United States Steel Homes Division, 2549 Charlestown Road, New Albany, Ind. 47150
United States Steel Products Division, 1271 Ave. of the Americas, New York, N.Y. 10020
United States Steel Supply Division, 13535 South Torrence Ave., Chicago, Ill. 60633
Universal Atlas Cement Division, Chatham Center, Pittsburgh, Pa. 15230
USS Agri-Chemicals, 30 Pryor St. S.W., Atlanta, Georgia 30301
USS Chemicals, Grant Building, Pittsburgh, Pa. 15230
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Bahama Cement Company, Post Office Box 100, Freeport, Grand Bahama Island
Bessemer and Lake Erie Railroad Company, P. O. Box 536, Pittsburgh, Pa. 15230
Birmingham Southern Railroad Company, Parker Building, Fairfield, Ala. 35064
Carnegie Natural Gas Company, 3904 Main Street, Munhall, Pa. 15120
Duluth, Missabe and Iron Range Railway Co., Missabe Building, Duluth, Minn. 55802
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Navigen Company, Post Office Bag 809, Nassau, Bahamas
Navios Corporation, Post Office Bag 796, Nassau, Bahamas
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Orinoco Mining Company, Apartado 2736, Caracas, Venezuela (Caracas Office)
Percy Wilson Mortgage and Finance Corp., 221 North LaSalle Street, Chicago, Ill. 60601
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Office of the Corporation
71 Broadway, New York, N.Y. 10006

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street, Chicago, Ill. 60690

REGISTRARS—COMMON STOCK

Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, N.Y. 10015
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USS—A Diversified Producer of Materials and Services

Ten years ago, U. S. Steel entered the sixties as the Nation's major steel producer.

Today, entering the seventies, we're involved—not only to a high degree in steel but also in chemicals, plastics, cement, wood products, non-ferrous metals, consulting and engineering services, real estate, housing, financing services and a host of raw materials.

It's hard to imagine an industry that U. S. Steel doesn't serve. And it's hard to imagine a time when we were better able to serve our customers in so many different ways.

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